

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Burton Analyst: Roger Lackey Bill Number: SB 1239

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 02-15-00

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Exemption/Alien Corporation Investment Stock Or Security Income/Doesn't Apply To Corporations In Unitary Business

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED April 5, 1999, STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

Under the Bank and Corporation Tax Law (B&CTL), this bill would provide that income, gain or loss from stocks or securities received by an alien corporation, as defined, whose sole activity in this state is derived from trading stocks or securities for its own account, as defined under federal law, would not be treated as income derived from California sources and that the alien corporation would not be considered as doing business in this state.

SUMMARY OF AMENDMENT

The February 15, 2000, amendment eliminated the language in the bill that would have added the state Treasurer and a public member to the Franchise Tax Board (FTB) and required that the FTB Chair be selected on a rotating basis. In addition, the amendment deleted the language of the bill that would have revised the regulatory authority of the Board of Equalization and the FTB.

The February 15, 2000, amendment inserted language that had been contained in the bill prior to the September 10, 1999, amendment.

The department did not analyze the bill as it was amended September 10, 1999, because the bill was amended at a late date in the legislative session.

A new implementation concern is included below.

Except for the discussion in this analysis, the department's analysis of SB 1239, as amended April 5, 1999, still applies.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Johnnie Lou Rosas

2/28/00

Implementation Consideration

This bill would specify that it applies to income years beginning on or after January 1, 1999. However, since the bill cannot become law until 2000, a retroactive implementation date may create difficulties for the department. It might also be construed to be an unconstitutional gift of public funds. These concerns would be eliminated if the bill were amended to provide an operative date of January 1, 2000.

BOARD POSITION

Pending.